



Market Commentary



➔ The PSEi inched up by 21.16 points or 0.32% and ended at 6,707.25 last week. The main index finally broke through and stayed at the 6,700-level last Friday as investors' optimism for corporate earnings grew after BPI posted record-high profits in 2023. The Philippine Peso surged to ₱55.92 from ₱56.29 against the US dollar. Foreigners ended with a net buy of ₱645.95 million last week. Services (+2.01%) and Financial (+1.66%) buoyed the local bourse, while the rest had sub-1% contractions. MONDE (+11.74%) and CNPF (+6.56%) were the top performers, while ABS (-8.26%) and AB (-6.00%) had the biggest losses. Some notable developments were the following:

- Since assuming office in July 2022, the Marcos administration has accumulated P1.82 trillion in debt, leading to the country's outstanding obligation reaching an all-time high of P14.62 trillion in 2023, as reported by the Bureau of the Treasury. This figure is 8.92% higher than the end-2022 debt of P13.42 trillion. The increased debt is primarily attributed to the high global interest rate environment. The debt-to-GDP ratio stands at 60.2%, slightly above the internationally accepted threshold of 60%.
- The Philippine Economic Zone Authority (PEZA) approved 12 projects with investments amounting to ₱2.21 billion in January. The projects include seven export enterprises, four information technology (IT) enterprises, and one facilities business. These investments are expected to generate approximately \$69.62 million in exports and create 1,337 direct jobs. PEZA aims to achieve ₱202 billion in investment approvals for the year 2024, representing a 15% increase from the ₱175.71 billion approved in 2023.

INDICES

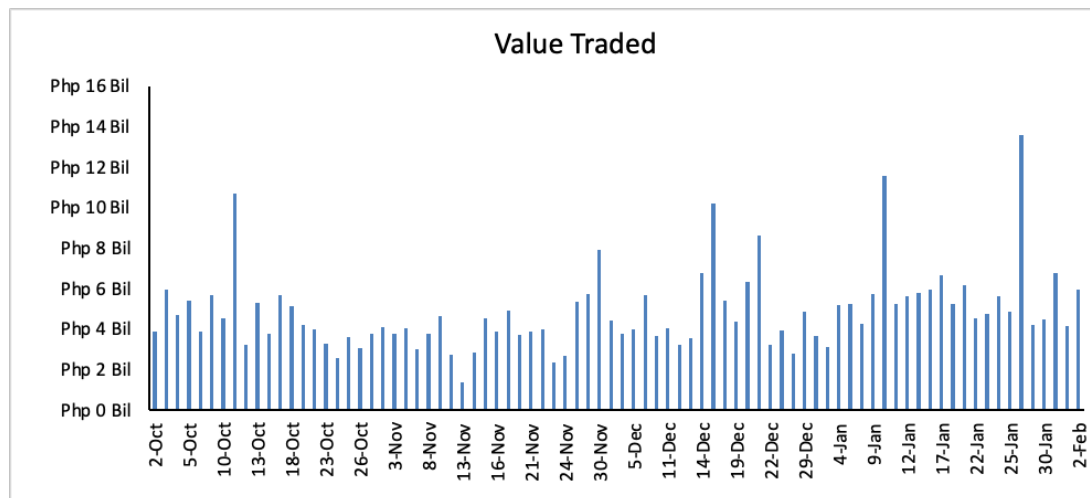
Index	Prev	Last	% Chg
PSEi	6,686.09	6,707.25	0.32%
All Shares	3,508.61	3,516.82	0.23%
Financial	1,906.95	1,938.54	1.66%
Industrial	9,093.68	9,042.78	-0.56%
Holding Firms	6,395.01	6,364.77	-0.47%
Property	2,898.18	2,879.82	-0.63%
Services	1,602.61	1,634.90	2.01%
Mining & Oil	9,245.23	9,227.50	-0.19%

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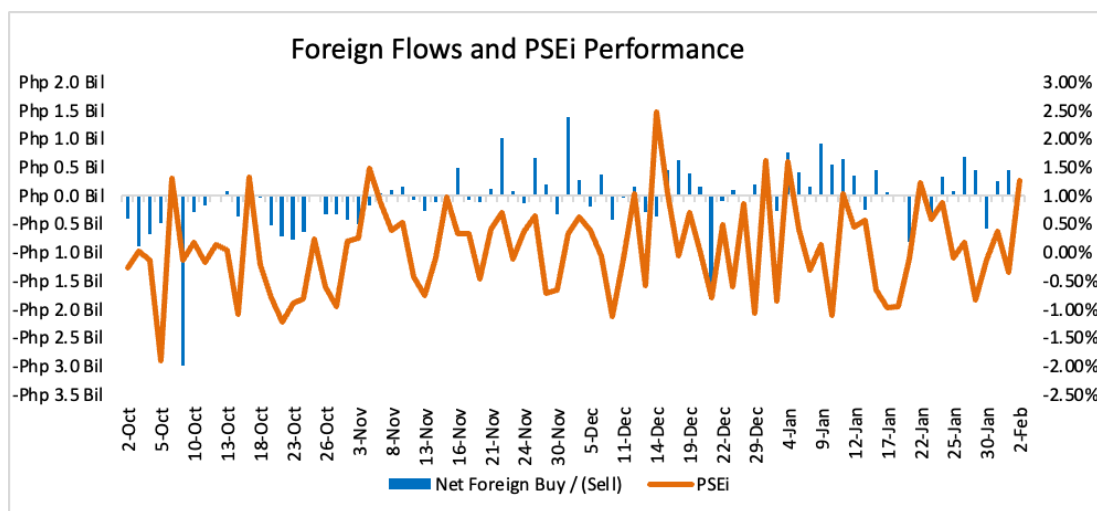
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➔ Market turnover averaged ₱5.12 billion last week, lower than the ₱6.68 billion average in the week of January 22-26.



➔ Last week logged a net foreign buying of ₱645.95 million, higher than the ₱793.21 million in the previous week.

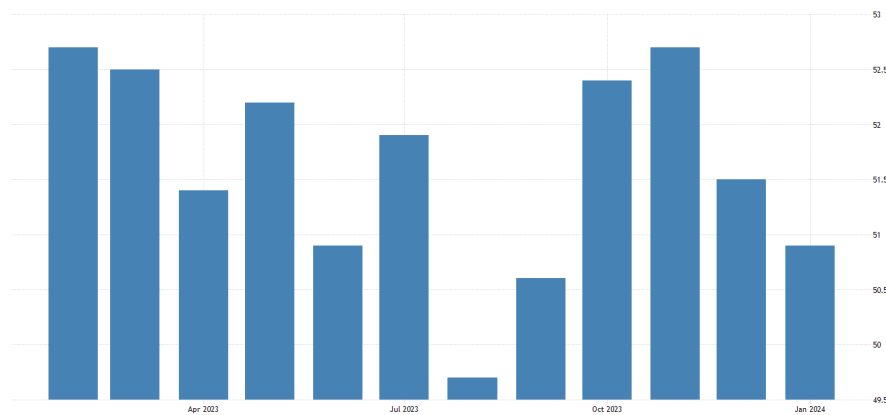


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Key Economic Figures



➔ **PH manufacturing PMI.** The S&P Global Philippines Manufacturing PMI declined to 50.9 in January 2024, down from 51.5 in December, marking the second consecutive monthly slowdown. The reading indicated an expansion weaker than the series average and was only marginal overall. This subdued performance was attributed to a cooling in underlying demand, leading to a slight increase in new orders and a loss of momentum in output growth. Despite the concerning demand signals, employment figures remained unchanged, indicating stability compared to contractions in the previous two survey periods. Manufacturers increased buying activity and expanded inventories in anticipation of future sales, while both input price and output charge inflation rates eased from December. Despite challenges, manufacturers expressed a solid level of optimism, with nearly half expecting growth in output over the next 12 months. *(S&P Global)*



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➔ **PH GDP growth.** The Philippine economy expanded by 5.6% year-on-year in the fourth quarter of 2023, slightly decelerating from the previous period but surpassing market expectations of 5.2%. This growth marked the 11th consecutive quarter of expansion, driven by increased household consumption and fixed investments. However, government spending declined, and net trade had a negative contribution to GDP. On the production side, agriculture, forestry & fishing, as well as services, showed accelerated growth, while the industry sector experienced a slowdown. For the entire year of 2023, the GDP growth rate eased to 5.6%, a significant drop from the 7.6% recorded in the previous year and below the government's target range of 6% to 7%. *(Philippine Statistics Authority)*

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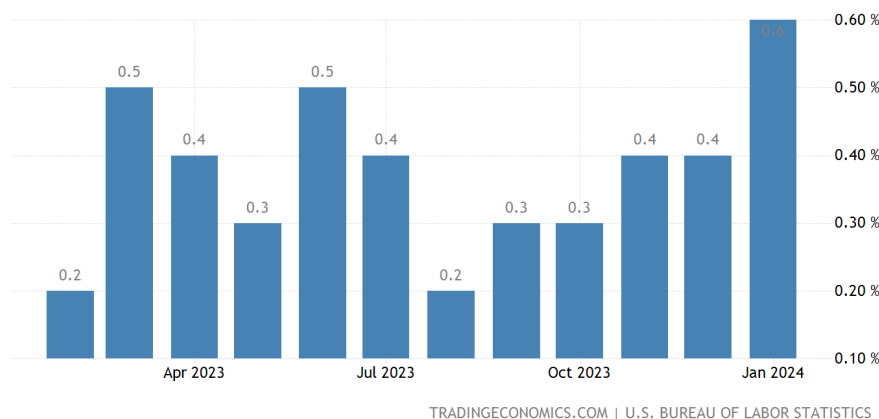
For the Week

TOP GAINERS		TOP LOSERS	
MONDE	11.74%	ABS	-8.26%
CNPF	6.56%	AB	-6.00%
APX	6.43%	JFC	-5.39%
TECH	5.38%	LR	-5.13%
SLI	5.11%	TUGS	-4.71%
ICT	5.08%	DMW	-4.13%
UBP	4.63%	PGOLD	-4.03%
ACEN	4.07%	HOUSE	-4.02%
JGS	3.81%	EI	-4.01%
CEB	3.68%	MER	-3.82%
PAL	3.40%	RRHI	-3.44%
BLOOM	3.28%	SMC	-3.14%
DMC	2.86%	FNI	-2.93%
BDO	2.56%	MAXS	-2.59%
CNVRG	2.49%	AEV	-2.26%
IMI	2.44%	CHP	-2.20%
RFM	2.41%	DNL	-2.12%
BPI	2.11%	PNX4	-2.06%
AGI	1.94%	SCC	-2.04%
MRSGI	1.55%	PNB	-1.91%

Key Economic Figures



➔ **US non-farm payrolls.** In January 2024, the US economy added 353,000 jobs, surpassing expectations and marking the largest increase in employment in a year. This robust job growth, exceeding the December figure of 333,000, indicates the labor market remains tight. Significant job gains were observed in professional and business services (74,000), health care (70,000) with notable contributions from ambulatory health care services and hospitals, retail trade (45,000), and social assistance (30,000). Other sectors, including manufacturing (23,000) and government (36,000), also experienced employment increases. However, the mining, quarrying, and oil and gas extraction industry lost 5,000 jobs. Additionally, the Bureau of Labor Statistics conducted its annual benchmark revision, adding 359,000 jobs to the total gains for 2023. With these revisions, the average monthly job addition for 2023 rose to 255,000, surpassing the earlier average of 225,000 per month. (*US Bureau of Labor Statistics*)



➔ **US average hourly earnings.** In January 2024, average hourly earnings for all employees on U.S. private nonfarm payrolls experienced a notable increase, rising by 19 cents or 0.6%, reaching \$34.55. This surge surpassed market expectations of 0.3% and marked the most significant rise since March 2022. Over the past 12 months, average hourly earnings have seen a substantial increase, growing by 4.5%. Specifically, in the private-sector production and nonsupervisory segment, average hourly earnings rose by 13 cents or 0.4%, reaching \$29.66 in January. (*US Bureau of Labor Statistics*)

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TECH	5.38%	LR	-5.13%
SLI	5.11%	TUGS	-4.71%
ICT	5.08%	DMW	-4.13%
UBP	4.63%	PGOLD	-4.03%
ACEN	4.07%	HOUSE	-4.02%
JGS	3.81%	EI	-4.01%
CEB	3.68%	MER	-3.82%
PAL	3.40%	RRHI	-3.44%
BLOOM	3.28%	SMC	-3.14%
DMC	2.86%	FNI	-2.93%
BDO	2.56%	MAXS	-2.59%
CNVRG	2.49%	AEV	-2.26%
IMI	2.44%	CHP	-2.20%
RFM	2.41%	DNL	-2.12%
BPI	2.11%	PNX4	-2.06%
AGI	1.94%	SCC	-2.04%
MRSGI	1.55%	PNB	-1.91%

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Market Outlook

What You Need to Know

- ➔ The Philippine Stock Exchange (PSE) will implement changes to its indices on February 5, affecting various sectoral and thematic indices. The review, in line with the PSE's index management policy, considered trading activity in 2023. Notable changes include: Industrial: additions of ION and PIZZA, removal of AXLM and PHN; Holding Firms: removal of LPZ; Property: additions of DMW and SHNG; Services: addition of SEVN, removal of DFNN, MEDIC, TUGS. Changes to the PSE Dividend Yield index are as follows: additions of CHIB and SGP, removal of AEV and GMA7. As for the PSE MidCap index, PCOR will be added while FILRT will be removed.
- ➔ In the upcoming week, US investors' focus will be divided between eagerly anticipated earnings reports from major companies, including Amgen, Alibaba, Caterpillar, McDonald's, PayPal, and Walt Disney, offering further crucial insights into corporate performance. Concurrently, policymakers' statements will be closely scrutinized for signals regarding the US Federal Reserve(Fed)'s monetary outlook, adding an extra layer of significance to market sentiment. The US will release key economic data, such as the ISM Services PMI survey, foreign trade figures, and the final reading of S&P Global Services PMI, impacting perceptions. In Europe, attention is on indicators like Germany's industrial production, factory orders, and inflation, while the UK focuses on PMIs, house prices, and retail sales. Across the Asia-Pacific, China's economic health will be gauged through inflation and services PMI in January, Australia's central bank decisions and trade data will be key.
- ➔ The PSEi may move sideways this week, influenced by economic indicators and corporate results. Following a slow start triggered by a GDP miss, the market rebounded in the latter part of last week, buoyed by an optimistic outlook on rates. Investors are keenly awaiting the release of January inflation data and the results of the December 2023 labor force survey for insights into the local economy's health. The ability of the market to sustain its momentum and potentially reach 7,000 hinges on positive corporate results amidst a somewhat tepid overall market participation. Immediate support is at 6,600, with resistance expected at 6,900 to 7,000, as the market navigates economic data, corporate performance, and the broader global macroeconomic environment.

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